

# Investment Office Roadmap

## Quarterly Progress Report

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# Today's Objectives

- INVO From-To Vision
- Roadmap Priorities
- Accomplishments – January through May 2011
- Upcoming Deliverables – June through September 2011
- Risks / Issues
- Next Steps

# Investment Office “From-To” Vision

<u>FROM</u>	<u>TO</u>
All risks not transparent and understood	All risks understood and managed
Lack of common systems, processes and analytics	Clear target operating model – strong operational data, governance, systems, and controls
Tactical, asset class-based approaches to building strengths and competencies	Clear sense of our strengths and competencies we want to develop
Bottom up approach to value creation	Integrated strategies for value creation that blend cross-asset class approaches
Inconsistent culture and employee experience	Consistent delivery of our unique value proposition to employees
Long-term, static allocation framework	More dynamic framework, responsive to market conditions
Inadequate reporting systems and data for effective cost management	Better expense tracking and reporting systems, and improved cost management

# Roadmap Strategic Priorities

- Achieve Investment Performance targets
- Establish new Capital Allocation framework
- Strengthen Risk Management
- Strengthen Organization Systems and Controls
- Improve Cost Effectiveness
- Enhance Talent Management

# Accomplishments – January through May 2011

## ✓ Investment Performance

- Delivered Total Fund return of 21.90% fiscal YTD April, exceeding Policy benchmark of 21.73% (returns are net of fees)
- Finalized new Real Estate Strategic Plan
- Hosted outreach pilot webinar for emerging investment managers

## ✓ Capital Allocation

- Completed new asset allocation framework
- Obtained approval for new investment policies and interim asset allocation targets

## ✓ Risk Management

- Implemented INVO Governance Structure
- Completed Investment Office Risk Assessment
- Completed Investment Office Total Fund exposure dashboard

## Accomplishments– January through May 2011, con't

- ✓ Organization Systems and Controls
  - Completed Rationalization of Composite Structure – Rapid Results Project
  - Implemented Investment Proposal Decision Criteria and Screening Process – Rapid Results Project
  - Finalized Target Operating Model and presented to the IC
- ✓ Cost Effectiveness
  - Analyzed Total Fund expense base against industry peers and presented to the IC
- ✓ Financial Market Reform
  - Continued efforts on market stability and shareowner rights.
  - Started Diverse Director Data-Source construction
  - Developed CalPERS Director Model Guidelines for Shareowners

## Upcoming Deliverables– June through September 2011

### ❑ Investment Performance

- Implement external manager skill assessment and alternative solicitation process
- Implement new asset allocation framework July 1 and begin managing to interim targets
  - Fixed Income to begin management of US Treasury Portfolio
- Present recommendations to the IC on Currency Overlay Program
- Finalize ESG Strategy and hold ESG workshop with the Board
- Separate RMARS team from Global Equity, effective July 1

## Upcoming Deliverables– June through September 2011, con't

- ☐ Risk Management – Implement new Risk Management System
- ☐ Organization Systems and Controls
  - Define operating events and escalation process (Rapid Results Project)
  - Implement redesigned Board Reporting package and new CIO Performance Report (Rapid Results Projects)
  - Achieve a daily, hard close and fully transition to new SSB service model
  - Train staff on new travel guidelines
- ☐ Cost Effectiveness
  - Reduce data feed subscription costs
  - Participate in CEM Global Leaders Advisory Group to design enhanced global benchmarks
  - Launch Financial Reporting Re-engineering Project



## Risks / Issues

- Approval and recruitment of key positions, such as:
  - Compliance
  - Risk
  - Finance
- Attract and retain key talent
- Maintain staff morale in current environment
- Deliver investment performance in an uncertain economic environment

## Next Steps

- Next quarterly update scheduled for 1<sup>st</sup> quarter, FY 2011-12
- Will keep Investment Committee abreast of developing risks/issues, as needed